Hydro Québec

CUE CARD 2012-2013

Hydro-Québec generates, transmits and distributes electricity. It uses mainly renewable energy sources, in particular hydro, and supports the development of other generating options—such as wind energy and biomass—through purchases from independent power producers. Its transmission and distribution activities are regulated by the Régie de l'énergie. It conducts research and develops new technologies in energy related fields. It also actively promotes energy efficiency.

Hydro-Québec's sole shareholder is the Québec government, which guarantees most of its borrowings.

KEY ASSETS

Water used to generate **98%** of output	**26** large reservoirs with a storage capacity of **175 TWh**	**35,829 MW** in total installed capacity	Average cost of **2.09¢** per kilowatthour	Rates among the lowest in North America

CONSOLIDATED FINANCIAL INFORMATION[1]

(CSM)	2012	2011	2010	2009	2008
OPERATIONS					
Revenue	**12,228**	12,245	12,269	11,997	12,304
Expenditure					
Operations	**2,356**	2,410	2,424	2,376	2,343
Electricity and fuel purchases	**1,283**	1,154	1,282	1,137	1,344
Depreciation and amortization	**2,415**	2,603	2,559	2,280	2,246
Taxes	**997**	864	906	924	1,088
	7,051	7,031	7,171	6,717	7,021
Operating result	**5,177**	5,214	5,098	5,280	5,283
Financial expenses	**2,441**	2,528	2,555	2,419	2,456
Result from continuing operations	**2,736**	2,686	2,543	2,861	2,827
Result from discontinued operations[2]	**(1,876)**	(75)	(28)	10	188
Net result	**860**	2,611	2,515	2,871	3,015
DIVIDEND	**645**	1,958	1,886	2,168	2,252
BALANCE SHEET SUMMARY					
Total assets	**70,517**	69,637	65,809	64,918	62,850
Long-term debt, including current portion and perpetual debt	**43,524**	42,050	38,660	37,943	36,415
Equity	**18,982**	18,834	18,566	18,419	18,250
INVESTMENTS FOR CONTINUING OPERATIONS AFFECTING CASH					
Property, plant and equipment and intangible assets[3]	**3,932**	3,814	4,220	4,307	3,954
FINANCIAL RATIOS[4]					
Interest coverage	**2.03**	2.00	1.92	2.10	2.04
Return on equity from continuing operations (%)	**14.6**	15.5	15.3	17.9	18.5
Profit margin from continuing operations (%)	**22.4**	21.9	20.7	23.8	23.0
Capitalization (%)	**30.6**	31.4	32.1	32.6	33.4
Self-financing (%)	**54.5**	49.0	47.0	41.3	45.7

1. Certain comparative figures have been reclassified to conform to the presentation adopted in the current year, ended December 31, 2012.
2. The discontinued operations are essentially related to the 2012 decision to abandon the project to refurbish Gentilly-2 nuclear generating station. The 2008 result also includes $129 million for the price adjustment provided for in the contract regarding the sale of Hydro-Québec's interest in HQI Transelec Chile S.A.
3. Including the Energy Efficiency Plan (EEP).
4. Source: Hydro-Québec, *Annual Report 2012*, page 95.

OPERATING STATISTICS AND OTHER INFORMATION

Average rate (decrease) increase from January 1 to December 31 (%)	**(0.4)**	(0.2)	0.6	1.6	2.7
Total installed capacity (MW)[5]	**35,829**	36,971	36,671	36,813	36,432
Total customer accounts (thousands)	**4,107**	4,060	4,012	3,960	3,913
Total number of employees (excluding employees of subsidiaries and joint ventures)	**21,596**	22,501	23,092	23,090	22,916

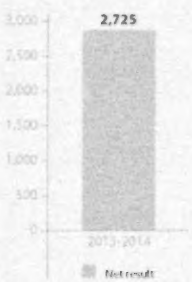
5. In addition to the generating capacity of its own facilities, Hydro-Québec has access to almost all the output from Churchill Falls generating station (5,428 MW) under a contract with Churchill Falls (Labrador) Corporation Limited that will remain in effect until 2041. It also purchases all the output from 15 wind farms (1,349 MW) and 2 small hydropower plants (23 MW) and almost all the output from 7 biomass cogeneration facilities (174 MW) operated by independent power producers. Moreover, 1,140 MW are available under long-term contracts with other suppliers.

HIGHLIGHTS

- Net electricity exports of 30.1 TWh in 2012 compared to 20.8 TWh in 2011. The strong performance of our generating facilities and the transmission system allowed us to step up our export volume and thus offset lower prices on energy markets.
- Investments of $3.9 billion in property, plant and equipment and intangible assets: $2.0 billion in growth projects, $1.8 billion in asset sustainment or improvement and $0.1 billion allocated to the EEP.
- Extension of the Minganie transmission system to connect the 1,550-MW Romaine complex. Construction of the La Romaine-2–Arnaud transmission line (262 km) is the largest 735-kV transmission project since 1994.
- Inauguration of Eastmain-1-A powerhouse in the Baie-James region. With an installed capacity of 768 MW, it will generate up to 2.3 TWh a year, enough to supply 135,000 homes. The three units at Sarcelle powerhouse (150 MW) are scheduled for commissioning in 2013.
- Shutdown of Gentilly-2 generating station (675 MW), Québec's sole operating nuclear plant, in December 2012. Dismantling and spent fuel removal will be carried out over more than 50 years.
- Financing activities totalling $2.3 billion on the global and Canadian markets.

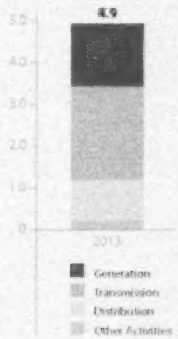
2013 FINANCIAL OUTLOOK

NET RESULT
(CSM)



Hydro-Québec is targeting a net result of $2,725 million for the Québec government's 2013–2014 fiscal year.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS[6]
(C$B)



6. Including the EEP.

FINANCING NEEDS
(C$B)

HYDRO-QUÉBEC: A QUALITY INVESTMENT

Security	Characteristics of the debt as at December 31, 2012
Unconditional guarantee by the Québec government on most of Hydro-Québec's debt (debentures, medium-term notes, commercial paper)	Average term: 18.6 years
	Fixed rate[7]: 88.7%
	Floating rate[7,8]: 11.3%
	Breakdown by repayment currency[9]: C$97.6% US$2.4%

Credit Ratings as at December 31, 2012		
	Long-term debt	Commercial paper
Moody's	Aa2 stable	P-1
Standard & Poor's	A+	A-1+
Fitch Ratings	AA- stable	F1+
DBRS	A (high) stable	R-1 (middle)

7. The debt is translated into Canadian dollars at the closing exchange rates in effect at the balance sheet date.
8. Excluding swaps related to capital participation.
9. Debt including perpetual debt, swaps and forward contracts.

For more information, please consult our Web site: **www.hydroquebec.com/investor-relations**
You can also contact the Investor Relations team by e-mail: **rel.inv@hydro.qc.ca**

Ce document est également publié en français.

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